



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

MICHAEL D. JUDY, )  
 )  
Plaintiff, )  
 )  
v. ) C.A. No. \_\_\_\_\_  
 )  
PREFERRED COMMUNICATION SYSTEMS, )  
INC., a Delaware Corporation, )  
 )  
Defendant. )

**VERIFIED COMPLAINT TO COMPEL ANNUAL MEETING  
PURSUANT TO 8 DEL. C. § 211**

Plaintiff Michael D. Judy ("Plaintiff"), upon knowledge as to himself and upon information and belief as to all other matters, for his Verified Complaint against Defendant Preferred Communication Systems, Inc. ("PCS" or the "Company"), hereby alleges as follows:

**NATURE OF THE ACTION**

1. This action is brought pursuant to 8 *Del. C.* § 211 to compel defendant PCS to hold an annual meeting of stockholders for the election of directors and to consider such other matters as properly come before the meeting. Since it was incorporated on January 15, 1998, PCS has never held an annual meeting. Urgent matters now make it appropriate and necessary that the Company be forced finally to convene a meeting. Accordingly, Plaintiff seeks an order of the Court requiring PCS to hold the annual meeting on a date certain within 30 days of the entry of such order.

**PARTIES**

2. Plaintiff is the record owner of at least 16,666 shares of Class A Common Stock of the Company.

3. PCS is a corporation organized under the laws of the State of Delaware. Through the ownership of telecommunications licenses, the Company is in the early stages of development to become a full services wireless telecommunications provider in key market areas across the United States and Puerto Rico.

### **BACKGROUND**

4. In 1999, the Company and its wholly-owned subsidiary, Preferred Acquisitions, Incorporated, a company incorporated under the laws of the Commonwealth of Puerto Rico ("PAI"), acquired 86 site-based SMR licenses located in the U.S. Virgin Islands and Puerto Rico. Thereafter, in 2000, PAI filed an application to participate in an auction conducted by the Federal Communications Commission (the "FCC"), so-called Auction No. 34, during which PAI was the successful bidder of 38 SMR economic area ("EA") licenses along the eastern seaboard, the western coast of California, as well as in Puerto and the U.S. Virgin Islands (together, the "FCC Licenses"). The FCC Licenses are potentially extremely valuable.

5. In order to maintain its continued ownership of the FCC Licenses, the Company is required to file, in a timely manner, license renewal applications and related documents with the FCC related to the existing FCC Licenses. It has come to the attention of Plaintiff that the Company has failed to make certain of the license renewal filings with the FCC, thereby jeopardizing the Company's continued interest in the FCC Licenses.

6. The current Chairman of the Board, President, and sole director of the Company is Charles M. Austin ("Austin").

7. The Company is also party to certain matters currently before the FCC Enforcement Bureau, styled *In the Matter of Pendleton C. Waugh, Charles M Austin, and Jay R. Bishop, Preferred Communication Systems, Inc., Preferred Acquisitions, Inc.*, E.B. Docket No.

07-147 (the “FCC Hearing”). The FCC Hearing relates to numerous issues, including, among other matters, (i) whether the Company and PAI committed misrepresentations and/or lacked candor in its dealings with the FCC, (ii) issues relating to certain stockholders’ ownership interests in the Company, the outcome of which could affect Austin’s purported control over the Company, (iii) alleged transfers of control of certain licenses held by the Company without FCC approval, and (iv) the qualifications of the Company, PAI, and their principals, to be and remain FCC licensees. On March 11, 2009, the FCC Hearing was suspended for the purpose of permitting the parties to attempt to reach a negotiated settlement. Since commencement of the FCC Hearing in 2007, the Company and Austin have not responded to inquiries by its stockholders regarding developments in the FCC Hearing.

8. The Company has failed to regularly provide the Company’s stockholders with information, financial or otherwise, about the Company. Moreover, the Company has *never* held an annual meeting of stockholders, thereby denying the Company’s stockholders the opportunity to contest Austin’s management of the Company as its sole director and officer and preventing stockholders from obtaining information about the Company of the sort generally provided to stockholders in connection with annual meetings.

9. In addition to the failure to hold any annual meetings of stockholders, the Company (through Austin) has refused previous informal requests by certain stockholders for information regarding the performance of the Company and its business.

10. Plaintiff wishes to protect the Company, its assets and all of its stockholders by convening a meeting of stockholders for the purpose of conducting an election of directors and the transaction of any other business as may properly come before the meeting.

### **CLAIM FOR RELIEF**

11. Plaintiff repeats and realleges the allegations of paragraphs 1 through 10 of this Verified Complaint as if fully set forth herein.

12. The Company has never held an annual meeting of stockholders. The Company should be summarily ordered to hold an annual meeting of stockholders in accordance with Section 211.

13. Plaintiff has no adequate remedy at law.

**WHEREFORE**, under 8 *Del. C.* § 211(c), Plaintiff is entitled to an order compelling PCS promptly to hold an annual stockholders' meeting, at which the shares present in person or represented by proxy and entitled to vote will constitute a quorum, Plaintiff respectfully requests that this Court enter an Order as follows:

(a) Directing that the annual meeting of stockholders of PCS be held on a date certain within 30 days of the entry of such Order in the State of Delaware for the election of directors and for the transaction of any other business as may properly come before the meeting and such meeting shall not be adjourned, continued, or postponed prior to the election of directors absent further order of the Court;

(b) Directing that the record date for determination of stockholders entitled to vote at such annual meeting be as of the date hereof;

(c) Determining the total number of directors to be elected at the annual meeting of stockholders of PCS;

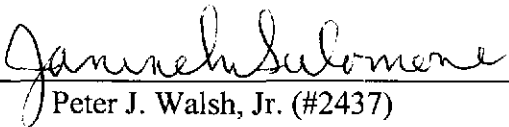
(d) Appointing a Master to oversee the annual meeting of stockholders and the election of directors with such powers as the Court deems appropriate pursuant to 8 *Del. C.* § 227(b);

(e) Providing that the shares represented at such meeting, either in person or by proxy, and entitled to vote thereof, shall constitute a quorum for the purpose of such meeting, notwithstanding any provision of the certificate of incorporation or bylaws of the Company to the contrary pursuant to 8 *Del. C.* § 211(c);

(f) Awarding Plaintiff his costs and expenses, including reasonable attorneys' fees, in connection with this action; and

(g) Granting such other relief as the Court shall deem just and proper.

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Dated: July 8, 2009

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